

EXHIBIT

10

**Testimony of Senator Charles E. Schumer
Hearing on Credit Score Disclosure
House Banking Subcommittee on Financial Institutions and Consumer Credit
September 21, 2000**

Madam Chairman, I want to thank you for allowing me the opportunity to testify at this morning's hearing on Credit Score Disclosure. I want to also thank you and the Committee for taking the lead on this issue of critical importance to American families.

For most families obtaining a home loan is the most important financial decision they will ever make. Yet their credit score - which is the principal factor used to determine an individual's credit worthiness and the loan terms they receive - is shrouded in mystery.

But this is a pointless and outdated mystery that only confuses consumers and costs them money.

Generally, a company develops a credit score formula using specific financial information about a consumer that includes the types of accounts opened, their record on making timely payments, the amount and type of any outstanding debt, and the length of their credit history, among other credit factors.

The company then licenses the credit score software to credit bureaus who disclose the consumer's credit score and their credit report to lenders, who ultimately make the decision as to whether, and at what terms, to extend a loan to a consumer.

Currently, nearly 80% of all mortgage loan decisions use the credit score as the primary determinant of those decisions. Yet consumers are totally in the dark about their score and how it is calculated. Let's flip the light switch on.

Earlier this week, I introduced, S. 3063, the "Consumer Credit Score Disclosure Act." S. 3063 would lift the veil of secrecy and create greater opportunity for consumers to secure a home mortgage at considerably lower costs.

The bill would require lenders to supply consumers with their credit score, what the score means, and to disclose up to four key determinants which negatively affect an individual's credit score.

Additionally, the bill compels lenders to provide the name and contact information about the company that created the score, and would prohibit companies from prohibiting lenders from telling consumers their credit score.

This bill is modeled largely after legislation that recently passed with bipartisan support in the California State Assembly's Banking Committee. S. 3063 has also received the support of a broad cross section of diverse groups; including consumer advocates, like Consumers Union and USPirg, real estate industry leaders, like the National Association of Realtors and online mortgage lenders, such as E-Loan.

By providing consumers with access to their credit score and the factors which negatively affect their score, we can help consumers improve - not manipulate, as opponents of this legislation cynically would argue - their credit behavior.

This bill helps consumers improve their credit, protects them from usurious rates and ultimately improves access to home ownership. Additionally, and most importantly, the disclosure of their credit score will provide consumers with the tools to shop for the best mortgage terms.

I find it not only wrong, but somewhat sinister, that in the mortgage process, lenders have access to all the decision-influencing information and consumers are left in the dark.

Freddie Mac reported that one-third of all borrowers overspend on their mortgage by upwards of \$100 million each year because the loan terms they received were higher than warranted by their credit score.

So now you know who benefits by keeping the scores secret.

For the consumer, shaving one and a half percentage points off the term of a \$150,000 mortgage would save them \$1,500 each year.

That is real money to real families, and they can save it by having access to the most basic information a consumer should possess.

As our nation's economy continues to prosper, more and more families will seek out ways to purchase a home. By demystifying the black box that is the credit score, and providing full disclosure of all the information that goes into an individual's score, we can help bring individuals and families closer to the American Dream of home ownership.

Madam Chairman, I want to thank you for holding this hearing this morning, and helping to bring thousands of families a step closer to this dream. I also want to thank Congressmen Cannon and Ford Jr. for their efforts on this most important issue.